

**Audit Committee
Meeting Minutes
January 11, 2005**

**Kiva Conference Room, City Hall
3939 North Drinkwater Boulevard
Scottsdale, AZ 85251**

Members Present: Chairman Lane
Committee member Ecton
Committee member Littlefield joined the meeting at 2:45 p.m.

City Staff Present: Cheryl Barcala, City Auditor
Cyndi Coniam, HR Manager
Jan Dolan, City Manager joined the meeting at
approximately 3:00 p.m.
Steve Garrett, Crime Lab Manager
Alan Rodbell, Chief of Police
Neal Shearer, Assistant City Manager
Brent Stockwell, Assistant to the Mayor and Council

The meeting was called to order at 2:41 p.m by Chairman Lane.

Minutes of the December 10, 2004, Audit Committee Meeting were approved by a vote of 2/0. Committee member Littlefield was not yet present.

General Business:

Item 1a – Chief Rodbell provided an update on the status of the internal audit of the Police Department's Property and Evidence Unit. The anticipated timeline for completion and review of the proposed changes related to Section 23 of the Revised Code is 60 days, rather than the planned deadline of May 2005. Chief Rodbell stated the internal policies and procedures would then be written to coincide with Ordinance revisions. Councilman Ecton disagreed with the sequence, expressing a need to test the procedures for viability prior to changing City Code. Discussion ensued regarding the sequencing of changes in City Code and departmental policies and procedures. Ms. Dolan expressed the need for less detailed Code to allow latitude to adjust procedures without violating City Code. It was suggested that the change in Code and the procedural changes be made concurrently. Chairman Lane asked if the Code itself is out of date or if the current non-compliance issue warrants a procedural change. Chief Rodbell responded that the City Attorney's Office and the Police Department are working closely together to change both. Councilman Littlefield stated that the correct process is to first set policy and then procedures. He noted that staff spends a large amount of time determining whether an Ordinance can be managed at the operational level. The Committee decided that Chief Rodbell will continue to work with the City

Attorney and, if any policy issues arise, Management will advise the Committee. Councilman Ecton disagreed.

Item 2 of Chief Rodbell's memo was then discussed, relating to the segregated safekeeping of items from evidence. He stated that best practices advise no co-mingling of safekeeping and evidentiary items. If items are kept off-site, however, as recommended, a 48-hour notice would be required for items to be retrieved by their owners or for use in court proceedings. A compromise has been reached by the use of a removable partition, dividing the items but allowing for the readjustment of storage space if needed. Chief Rodbell stated that several thousand items have been destroyed already, including blood samples. A bar coding system is currently being implemented to track items within a database. The Chief noted that approximately 2,000 items are brought into the storage area each month. Chairman Lane asked if there was a program in place for property that must be kept indefinitely or if a timeline is stipulated as to the maximum holding time. Ms. Barcala responded that approximately 120,000 items were identified on the computerized system, however, due to inaccuracies found during the audit, there is no way to determine the actual number of stored items. Chapter 23 of City Ordinance states that the holding period for lost, stolen, abandoned, and found property is 30 days with an additional 15 days if there is a finder involved. It does not otherwise address other types of held property. Chief Rodbell noted that bar coding tests are currently being conducted. For the next 14 days, items are being identified and entered into the databases, oldest to newest, and status is being reviewed. Disposal of items is occurring as appropriate. Councilman Ecton felt that since there is nothing stated in the Code as to how items are to be segregated, Management should determine this as an operational issue. Chairman Lane inquired as to whether the State mandated 90-day retention items separated or identified from other items. Councilman Ecton responded that again, it was an operational issue and Management should determine how best to handle the segregation. Chairman Lane stated concern that the system is structured and items are separated to reduce accumulation and volume. Ms. Dolan stated that while there is nothing in Code addressing the segregation issue, the distinction between the two areas might prove beneficial within the same room. Ms. Barcala agreed that is not sensible to move the items off-site primarily due to the short-term nature of some of the items and in consideration of the unknown volume, capacity for accumulation, and rotation of items. There was discussion regarding the continuing accumulation of items and the Chief responded that there were many reasons for the backup. The Committee determined that Chief Rodbell's plan for segregation and identification of the items is appropriate.

Item 1b – Ms. Barcala stated that the Immigration Reform and Control Act Audit validated much of Human Resource's findings and recommendations for improvement. Chairman Lane inquired about penalties for lack of adherence to the Act and Ms. Barcala responded that the monetary penalty for the City could not be less than \$100 but not more than \$1,000 for each employee for whom the I-9 Form was not made available or properly retained, although there is some penalty reduction if changes are implemented in good faith.

Item 2 – The revision of Chapter 16 of the City Code was brought to the attention of the Committee by Ms. Barcala. It was determined that changes to the Code or possible elimination of the Chapter be made when the changes to Chapter 23 are changed, which will address unclaimed property issues.

Item 3 – Ms. Barcala provided the Committee a list of 40 possible audits for the 2005 Audit Plan. She identified the first 25 as priority items with detailed descriptions. Projected staff hours required for each audit was listed. She requested that the Committee decide which are deemed appropriate and to consider a mix of small, medium, and large audits based upon required staff hours. She stated that her determination of the first 25 items was based upon City Ordinance, budget, whether it had been or should be reviewed with an external auditing process, if the program had been internally reviewed in the past, and the staff hours required to complete the audit. Councilman Ecton asked why the Handlebar Helper Program was listed. Ms. Barcala explained that although it is not a high dollar program, the possible legal exposure for non-compliance could prove negative to the City. Councilman Littlefield questioned the importance of follow-up audits and Ms. Barcala explained that without follow-ups the benefit of the initial audit is sometimes lost, unless the audit determined that procedures were in place and did not warrant recommendations. It was mentioned that follow-ups could be conducted as fill-in audits, as deemed appropriate. Not all audits on the list would necessarily occur, but preliminary surveys would be conducted and this would determine whether or not an audit was warranted. Ms. Barcala noted that the current Immigration Reform and Control Act Audit would likely not require a follow-up audit since proper controls and procedural changes are already in place. In some cases, audits cannot be conducted due to the lack of controls or programs. Councilman Ecton commented that he preferred not to have audits conducted as if they were throwing darts. He stated that Management, at the City Manager level, should have input as to the types and selection of audits needed and that Management should be consulted as to whether controls were in place. Chairman Lane stated that asking Management whether or not they have controls is not an effective auditing process. He stated he felt the Committee should rely more on the Auditor's recommendations based on her professional opinion. He stated that the Committee is not necessarily equipped to make those determinations. Ms. Dolan suggested that initial information is provided and to consider the timing of an audit based upon resource allocation. She stated it is not a matter of convenience, but rather a matter of resource availability. She referred to the current Asset Management Audit and Management's required involvement, which interferes with the ability to complete other projects. Chairman Lane replied that audits never seem to occur at an appropriate time and the Committee's job is to take into consideration the City Auditor's recommendations and base the Audit Plan upon it. Councilman Littlefield stated that the job of the Committee is to consider Ms. Barcala's recommendations and, if no agreement can be reached at the Committee level, then it should be taken to Council to determine the Plan. The finalized Plan must be approved by Council anyway. Ms. Barcala addressed the issue of the Asset Management Audit stating that preliminary surveys are currently being conducted but it has not been decided yet whether an audit will be conducted. Fleet, computer, tangible, and real

assets are all being reviewed. Thus far, the Fleet group has controls in place and would not necessarily warrant an audit at this time. In addition, there is no tracking in place for assets under a value of \$5,000, so it would be impossible to audit those items deemed City property. Councilman Ecton reiterated that Ms. Dolan should have input in the determination of what audits should be conducted. He inquired as to whether postponing a decision at this time would impact the workflow in the Office of the City Auditor. Ms. Barcala responded that it would, that direction was needed to keep the workflow continuing. She replied that approval to start two audits would allow staff to utilize their time toward that end. The Committee voted to approve for recommendation to the City Council the 25 items on Ms. Barcala's list for the 2005 Audit Plan noting the Committee's purview to modify the Plan as needed. Councilman Ecton verbalized his disapproval of the Plan without Management input.

Item 4 – This item will be placed on the next Audit Committee Meeting Agenda.

Ms. Barcala noted that the Safety Program Audit Report would be available shortly and that a meeting should be scheduled to discuss it as well as the continuation of Item 4.

Mr. Stockwell agreed to coordinate the timing of the next meeting.

Public Comments – None.

Committee Comments – None.

With no further business to discuss, the public meeting of the Audit Committee was adjourned at 4:27 p.m.

Respectfully submitted,

Melissa Preston 